

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 SCEM-02 SCI-06 COME-00 OMB-01

AGR-20 CIEP-02 TRSE-00 AID-20 IGA-02 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14 INT-08

DRC-01 /204 W

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R 302300Z NOV 73

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 1421

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

C O N F I D E N T I A L SECTION 1 OF 2 GUATEMALA 5707

E.O. 11652: GDS

TAGS: ENRG, GT

SUBJECT: PETROLEUM DEVELOPMENTS

REF: GUATEMALA'S A-219 OF OCT. 25, 1973

SUMMARY: GOG HAS TAKEN SEVERAL STEPS TO MEET ENERGY PROBLEMS CAUSED BY PETROLEUM SHORTAGE. OF THE MAJOR REFINERIES, TEXACO CUT BACK SUPPLIES BY 30 PER CENT WHILE SHELL-CHEVRON REFINERY PLANS MAINTAIN CURRENT SUPPLY SITUATION. AGRICULTURAL SECTOR, WITH THREE MAJOR CROPS EITHER BEING HARVESTED OR ON VERGE, MOST AFFECTED BY SHORTAGE OF DIESEL DISTRIBUTION, AND THIS COULD LEAD TO SERIOUS PROBLEMS. IN POLITICAL SENSE GOG THUS FAR HANDLING PROBLEM IN RESPONSIBLE MANNER, BLAMING IT ON WORLDWIDE SHORTAGE RATHER THAN ATTACKING US COMPANIES.

END SUMMARY.

A1. TO MEET ENERGY PROBLEMS CAUSED BY INCREASING PETROLEUM SHORT-

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AGES GOG HAS TAKEN FOLLOWING STEPS: GAS STATIONS ALLOWED SELL

GAS ONLY BETWEEN 0500 AND 2000 HOURS MONDAY TO FRIDAY, INSTITUTED DAYLIGHT SAVINGS ON 11/25 FOR FIRST TIME IN RECENT GUATEMALAN HISTORY; CREATED HIGH LEVEL ENERGY COMMISSION HEADED BY DEFENSE MINISTER AND INCLUDING FIVE MAJOR NEWSPAPERMEN TO STUDY SITUATION AND RECOMMEND SOLUTIONS; NEGOTIATING WITH VENEZUELAN, CANADIAN AND MEXICAN GOVERNMENTS IN EFFORT SECURE PETROLEUM SUPPLIES; DOWNTOWN ILLUMINATION ORDERED TURNED OFF IN STORE FRONTS AT NIGHT.

2. TEXACO ANNOUNCED 30 PER CENT CUT BACK IN SUPPLY OF PETROLEUM PRODUCTS, ALL IN LIGHTER FUELS, I.E. DIESEL, REGULAR AND PREMIUM GASOLINE, EFFECTIVE 12/1. THIS REDUCES REFINERY PRODUCTION FROM 15,000 BARRELS/DAY TO 10,000. GUATCAL, OTHER REFINERY, BELONGING TO SHELL AND CHEVRON, HAS NOT ANNOUNCED ANY CUTBACK. LOCAL CHEVRON MANAGER BAKER TOLD EMBOFF PETROLEUM FOR THEIR 10,500 BARREL DAY REFINERY SUPPLIED BY SHELL FROM VENEZUELA. SHELL EXPECTS SUPPLY SAME QUANTITIES CRUDE IN 1974 AS SUPPLIED IN 1973. CHEVRON PROVIDING PETROLEUM ON QUOTA SYSTEM ONLY TO OLD CLIENTS ON BASIS OF PAST NEEDS PLUS NORMAL GROWTH INCREMENT.

3. TEXACO RATIONING, WHICH WE UNDERSTAND CUTS BACK ALL COUNTRIES APPROXIMATELY 30 PER CENT, APPARENTLY BASED ON OCTOBER 1973 CONSUMPTION LEVELS. SHORTFALL IN DELIVERIES FOR DECEMBER AND POSSIBLY JANUARY AS ESTIMATED BY REFINERIES FOR GOG FOLLOWS: GASOLINE - 31,000 BARRELS OR 17.6 PER CENT; DIESEL 49,198 BARRELS OR 23.9 PER CENT; JET-FUEL AND AVGAS 6,997 BARRELS OR 26.9 PER CENT; KEROSENE 10,868 BARRELS OR 23.0 PER CENT; FUEL OIL 3,875 BARRELS OR 2.3 PER CENT.

4. SUPPLY SITUATION FURTHER COMPLICATED BY GOG PRICING STRUCTURE, WHICH CHANGED IN OCTOBER (SEE GUATEMALA'S A-219 OF OCT. 25, 1973). REFINERIES NOW MAKING MONEY WITH DISTRIBUTION COMPANIES TAKING SUBSTANTIAL LOSSES. CORPORATE-WISE, COMPANIES WITH REFINERIES MAKING QUOTE SMALL UNQUOTE PROFIT. FIVE DISTRIBUTION COMPANIES, TEXACO, SHELL, CHEVRON, ESSO AND GULF ALLEGEDLY LOSING 10 CENTS EACH GALLON DIESEL SOLD AND 6.5 CENTS A GALLON ON REGULAR GASOLINE WITH 2 CENTS A GALLON PROFIT ON PREMIUM. AS RESULTS PRESENT SITUATION GULF ACCELERATING PLANS TERMINATE ITS SMALL OPERATION HERE WHILE, ACCORDING TO TEXACO MANAGER CRAWFORD, ESSO EMBARKED ON QUOTE CONFIDENTIAL

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SELECTIVE DISINVESTMENT UNQUOTE POLICY AND TRYING TO REDUVT ITS OPERATION BY A THIRD. HOWEVER, THERE NOW NO MARKET FOR ESSO OR GULF STATIONS, AS DISTRIBUTORS NOT INTERESTED IN INCREASING SALES GIVEN PRESENT PRICING SYSTEM.

5. ELECTRICAL ENERGY PRODUCTION NOT OVERLY AFFECTED BY PETROLEUM SHORTAGE AS ONLY MINOR CUTS MADE IN DELIVERIES OF FUEL OIL. INDE HAD ONE THERMAL PLANT OUT SINCE OCTOBER.

IN ITS PLACE IT USING DIESEL PLANT WHICH USING 22,600 MORE  
BARRELS A MONTH THAN INDE'S NORMAL CONSUMPTION OF DIESEL.  
INDE MANAGER GODOY TOLD EMBOFF HE HOPES HAVE THERMALPLANT BACK  
IN OPERATION BY 12/16. DIESEL SHORTAGE BEGINNING AFFECT SOME  
INDUSTRIES AND AGRICULTURE(FOR MORE DETAILS EFFECTS ON  
AGRICULTURAL SECTOR EMBASSY PREPARING SEPARTE CABLE); I.E.  
MOST COTTON GIN MILLS RUN ON DIESEL AS DO NUMBER OF SUGAR MILLS.  
IN ADDITION, LARGE TESTILE YARN PRODUCER, EMPLOYING 700 WORKERS,  
RUNS ON POWER FROM ITS DIESEL GENERATORS. PLANT FORCED PRACTICALLY  
CLOSE DOWN AT MONTH'S END BECAUSE OF DIESEL SHORTAGE. ROAD  
CONSTRUCTION COMPANIES WITH INCREASED NUMBER OF CONTRACTS ALSO  
BEING HIT HARD BY DIESEL SHORTAGE. COFFEE BEING HARVESTED NOW  
WITH COTTON AND SUGAR CROPS SOON TO FOLLOW. DIESEL SHORTAGE  
MAY SEVERELY AFFECT HANDLING THESE CROPS.

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DRC-01 /204 W

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R 302300Z NOV 73

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 1422

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

AMSMBASSY MANAGUA 3517

AMEMBASSY SAN JOSE

C O N F I D E N T I A L SECTION 2 OF 2 GUATEMALA 5707

6. JET-FUEL RATIONING BEGUN BY TEXACO MAY EXACERBATE PROBLEMS  
BETWEEN PAN AM AND AVIATECA AS SUPPLY BASED ON COMPANY'S USE  
LEVELS IN OCTOBER. SNCE THEN PAN AM FREQUENCIES HAVE DECLINED  
SLIGHTLY WHILE AVIATECA'S HAVE INCREASED SUBSTANTIALLY.

CRAWFORD STATED AVIATECA ANTICIPATED NEEDS FOR DECEMBER AT OVER 100,000 BARRELS WHILE TEXACO ONLY PLANS SUPPLY IT WITH 39,000 BARRELS.

COMMENT: FROM US POLITICAL VIEWPOINT GOG HANDLING SITUATION IN RESPONSIBLE MANNER. IT PLACES BLAME ON WORLDWIDE SHORTAGE AND NOT US PETROLEUM COMPANIES. NEVERTHELESS, GOG NOT FULLY FACING REALITY OF CURRENT PETROLEUM SHORTAGE SITUATION. CREATING HIGH LEVEL COMMISSION, WHILE ASTUTE POLITICAL MOVE AS IT EFFECTIVELY REMOVED NEWSPAPER CRITICISM, HAS BEEN WIDELY CRITICIZED IN PRIVATE FOR MEMBERS' LACK OF EXPERTISE RE ENERGY MATTERS. FROM WHAT TEXACO'S CRAWFORD SAYS IT APPEARS THAT ECON MINISTER MOLINA MENCOS NOW MORE HOSPITABLE TO APPROACHES BY COMPANIES WITH REFINERIES TO POINT OF IMPLEMENTING SUGGESTIONS  
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RE FUEL CONSERVATION. HOWEVER, FAILURE MOLINA AND GOG SET PRIORITIES FOR GASOLINE AND DIESEL DELIVERIES FROM REFINERIES IS CAUSING STRONG DISCONTENT THROUGHOUT IMPORTANT AGRICULTURAL, TRANSPORTATION AND INDUSTRIAL SECTORS OF THE ECONOMY. GOG WILL HAVE TO SET PRIORITIES FOR DELIVERIES AND OTHER STEPS IN NEAR FUTURE IF DEVELOPMENT OF PANIC SITUATION IS TO BE AVERTED ESPECIALLY IN AGRICULTURAL AREA WHERE CROPS NOW BEING HARVESTED. REPRESENTATIVES OF TRANSPORT AND AGRICULTURAL SECTORS HAVE TOLD EMBOFFS THEY PREPARED PAY HIGHER PRICES FOR NEEDED FUEL IF THIS WILL INSURE DELIVERY. GOG COULD NOW RAISE PRICES BLAMING WORLD MARKET SITUATION WHICH WOULD MINIMIZE POSSIBLE ADVERSE EFFECTS ON ELECTION PROSPECTS. THIS COULD PUT DISTRIBUTION COMPANIES INTO PROFIT SITUATION MAKING THEM MORE AMENABLE TO PICKING UP FORMER GULF AND ESSO CLIENTS, THEREBY ELIMINATING SOME OF THE UNNECESSARY EFFECTS OF CURRENT SITUATION. HOWEVER, GIVEN GOG'S RELUCTANCE TO DO ANYTHING BEFORE ELECTIONS THAT MIGHT GIVE RISE TO CRITICISM OR ATTACKS BY OPPOSITION, WE QUESTION WHETHER THEY WILL MAKE THIS MOVE.  
DREYFUSS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, SUPPLIES, GASOLINE, FUEL OIL, PETROLEUM INDUSTRY, EMERGENCY PLANNING, RATIONING, JET FUEL  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** martinjw  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973GUATEM05707  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** GUATEMALA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t1973113/aaaaabuz.tel  
**Line Count:** 208  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** GUATEMALA'S A-219 OF OCT. 25, 1973  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** martinjw  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23-Jan-2002 by martinml>; APPROVED <20 FEB 2002 by martinjw>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PETROLEUM DEVELOPMENTS  
**TAGS:** ENRG, GT  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005